

GENERAL RETAILER INFORMATION QUESTIONS AND ANSWERS

1. Where do the proceeds from the sale of lottery tickets go?

The net revenues from the sale will benefit education in North Carolina. Thirty-five percent of the proceeds will fund reduced class size, public school construction, and college scholarships for need-based students. Fifty percent of the proceeds will be awarded in prizes, 8 percent will cover administrative costs, and 7 percent will be paid to retailers.

2. Who can sell lottery tickets?

Any North Carolina business can apply to the North Carolina Education Lottery (NCEL) to become a lottery game retailer. You cannot be engaged exclusively in the business of selling lottery tickets or shares or operating electronic computer terminals or other devices solely for entertainment. You can only sell tickets from a location that has been issued a certificate of authority from the Commission. A certificate of authority is required for each location owned and operated by a lottery game retailer. The certificate of authority must be conspicuously displayed at each location. The Director may not recommend contracting with a natural person under 21 years of age. In addition, the Director may not recommend contracting with a person who is not current in filing all applicable tax returns to the State, excluding items under formal appeal under applicable status. A lottery game retailer cannot reside in the same household as a member of the Commission, the Director, or any other employee of the Commission.

It is illegal to sell North Carolina lottery tickets without a contract or to sell tickets out-of-state or through the mail. It is also illegal to sell lottery tickets in North Carolina from any other lottery.

To be eligible to receive and hold a lottery contract a person shall not have been convicted of a felony within three years, and, if convicted of a felony before then, shall have had his citizenship restored. As part of the contracting process, the retailer is required by law to pass a tax check and submit to a criminal background check. A credit report will also be requested. A non refundable processing fee will be charged for these required financial and criminal background checks.

3. What makes a good retailer?

Demand for lottery tickets will be great at the beginning. Once sales reach normal levels, the characteristics of retailers who tend to be the most successful include:

- Convenience and access to the public.
- Heavy volume of sales transactions.
- Repeat customers.
- Prominent point-of-sale display.
- Use of in-store promotions.
- Positive attitude toward the Lottery.
- Asking for the sale.

4. Why should I be a retailer?

In addition to the profits made from selling lottery tickets, being a lottery retailer has several advantages:

- Service to your regular customers.
- Increased customer traffic for ticket purchases.
- Repeat traffic (from ticket sales and ticket prize redemptions).
- Increased sales of other store merchandise.
- Statewide Lottery advertising and promotional programs.
- Value as a contributing community member.
- FUN!!

5. How much does it cost to become a retailer?

There is an application fee of \$75.00 for a single retailer location and \$10.00 for each additional location.

6. How do I get compensated for selling tickets?

Retailers will receive a 7% sales commission in accordance with the Lottery Act. Instant tickets normally are produced in packs of 300 tickets. For selling a pack of 300 tickets, at \$1.00 per ticket, the retailer receives \$21.00 as a commission.

7. What prizes does the retailer pay?

North Carolina Lottery retailers shall pay prizes under \$600. As a lottery retailer, from a business standpoint, you probably do not want to send winners “with cash in their hands” to your competitors. You will quickly find that the more you pay winning tickets at your store, the more lottery business will come your way, and the more business that comes your way, the better your profit picture can become. Prizes paid by you will be automatically credited against your ticket purchases after validation through your lottery computer terminal.

Prizes of \$600 or more will be paid by the NCEL by mail, or at one of the lottery regional offices located throughout the state. A supply of claim forms for these larger prizes will be provided to you as a service for your lottery winners.

8. What equipment do I need?

The basic things required to sell lottery tickets will be provided to you by the NCEL. The list of items include compact locking ticket dispensers for your countertop so you can display your tickets to every customer who visits you. Advertising and promotional displays will also be provided and will be updated from time to time to reflect the current games being sold.

The NCEL is providing a state of the art computer terminal for selling online games and for validating and paying all winning tickets of less than \$600 at your location. The system is designed to protect you from paying altered or counterfeited tickets as well as crediting you for the winners you pay at your location.

9. How do I get my tickets?

The NCEL has a group of telephone representatives whose job is to call you each week to determine your ticket needs and take care of any questions you may have. Once an order is placed, your tickets will be delivered by a courier to your store. Your first ticket delivery (called a “ticket allocation”) will be determined by the lottery based on your hours of operation and customer count. After a month or so, you will be able to gauge your weekly ticket needs with better accuracy. In the early weeks of lottery sales, however, it is a good idea to order the number of tickets suggested by your telephone representative. If you should find yourself in a “sold-out” situation with ticket buyers waiting at your door, you may also call the Lottery directly to place an emergency order.

10. How do I pay for the tickets?

The NCEL requires that all retailers deposit the proceeds from lottery sales into a separate electronic funds transfer (EFT) bank account for the preservation and transfer of lottery funds. The separate bank account must be specified "In Trust For The North Carolina Education Lottery." Funds will be withdrawn from that account by Electronic Funds Transfer (EFT). As a part of the application process, you will be asked to provide the Lottery with EFT bank account information.

11. Can I use my existing retail bank account and have the bank set it up for electronic fund transfers?

No. Lottery game retailers must set up a separate bank account, with electronic fund transfer capability, solely for use with lottery game sales. That account must be specified "In Trust For The North Carolina Education Lottery."

12. Can I submit an application for a retail outlet before I have set up the EFT account?

No. The lottery game retailer application must be accompanied with the EFT authorization form.

13. Why do you need a voided check? Do I have to provide a voided check?

The NCEL needs a voided check for purposes of getting the bank routing numbers. In lieu of a voided check, the retailer may submit a letter from the bank that includes the following: bank name, bank address, bank account routing number, bank account number, and official name of the bank account.

14. The checks I received when I set up my new account for the lottery do not have my retail outlet name printed on them yet. Can I write in the name?

Yes. Attach the check, write "Void" on it, and write the name of the bank account "In trust for the North Carolina Education Lottery" in the upper left-hand corner.

15. Can I substitute a letter from the bank that includes my bank routing information in lieu of a cancelled check?

Yes so long as the letter from the bank includes the information listed in answer #13.

16. When will the instant game end?

The instant game will always be a part of North Carolina's lottery game program. The NCEL intends to begin sales with at least four instant games for sale to the public. Over the coming months, we will have more instant games available to appeal to all of your customers and lottery players. These multiple games will offer a variety of game themes and prizes aimed at increasing your lottery sales.

17. Will the Lottery train retailers?

All retailers are required to attend a training session held in your region a few weeks before sales begin. You will find that selling lottery tickets is a straight forward procedure and requires little training for you and your staff. You will be instructed in the responsibilities of a retailer and will receive a manual that explains each of the policies and procedures you need to follow. After you complete the session, you may want to appoint someone on your staff to be the "in house" trainer

for the rest of your employees and any new employees you hire. Evening sessions will be scheduled for your convenience.

18. What laws govern retail sale of lottery tickets?

General Statute, Chapter 18C, North Carolina State Lottery Act.

19. Who oversees the operations of the state lottery?

The North Carolina Education Lottery Commission and the Executive Director, the person selected by the Commission to be the chief administrator of the North Carolina Education Lottery.

20. What is a “share?”

Any method of participation in a lottery game, other than by ticket purchased on an equivalent basis with a ticket. (Can we give an example?)

21. Is there an age limit for a retailer to be able to participate in selling lottery tickets?

The Commission will not contract with a natural person under 21 years of age.

22. Can a retailer be in business to sell just lottery tickets and nothing else?

A lottery game retailer must not be engaged exclusively in the business of selling lottery tickets or shares or operating electronic computer terminals or other devices solely for entertainment.

23. Can a lottery game retailer live in the same household as a member of the Commission, the Director, or any employees of the Commission?

A lottery game retailer may not reside in the same household as a member of the Commission, the Director, or any employees of the Commission.

24. Are there restrictions on what a lottery retailer may do for a member of the Commission, the Director, or any employees of the Commission?

No lottery retailer or applicant to be a lottery retailer shall pay, give, or make any economic opportunity, gift, special discount, favor, hospitality, or service, excluding food and beverage having an aggregate value not exceeding one hundred dollars (\$100) in any calendar year, to the Director, to any member or employee of the Commission, or to any member of the immediate family residing in the same household as one of these individuals. Members of the Commission shall be subject to the Commission's approved code of ethics.

25. What are the requirements that apply to a lottery game retailer in regard to state taxes?

A lottery game retailer must be current in filing all applicable tax returns to the State and in payment of all taxes, interest, and penalties owed to the State, excluding items under formal appeal under applicable statutes in order to be approved as a retail outlet. A 1099 form will be issued to all retailers for their annual lottery commission at the close of each reporting year.

26. Will there be a background check on lottery game retailer applicants?

A lottery game retailer is subject to a background check as designated by the Commission as well as a tax and credit check prior to being approved to sell tickets.

27. Form F of the Retailer Application requests information on all persons associated with the business who have a financial interest. What constitutes a financial interest?

Ownership interest of 5% or more.

28. Form A Page 1 of the Retailer Application requests city occupational ID and ABC Permit #. How should a lottery game retailer provide this information if they are applying for multiple locations?

In the city occupational ID box and the ABC permit # box, write “see attached.” Then attach a sheet that lists each store location and the city occupational ID and ABC permit # for each location.

29. What is a “city occupation ID” number?

It is either a city tax ID number or a county tax ID number depending upon the store location.

30. Form E of the Retailer Application is the retailer self-certification of compliance with the Americans with Disabilities Act. Do you need a form for each retail location for an application that covers multiple locations?

Yes.

31. What happens if a lottery game retailer applicant has been convicted of a felony?

To be eligible to receive and hold a lottery contract a person shall not have been convicted of a felony within three years, and, if convicted of a felony before then, shall have had his citizenship restored.

32. What should a lottery game retailer do if there is a change in location, financial status or ownership?

A lottery game retailer will notify the Commission 30 days prior to any change in location (prior to the move), financial status or ownership of 10% or more (*i.e.* a change in officers, directors, partnership, or sole proprietor required to be listed on the application).

33. What percent change in ownership requires a new application fee?

Any change in ownership of 51% or greater requires a new application fee.

34. What should a lottery game retailer do if convicted of a felony or gambling-related offense?

If a lottery game retailer is convicted of a felony or gambling-related offense under federal law or the law of any state, the Commission must be notified in writing by the lottery game retailer within 10 days.

35. What are the requirements of the retailer for hours of ticket sales and prize redemption?

A lottery game retailer will make the purchase and redemption of lottery tickets convenient and readily accessible to the public. Lottery tickets will be available for sale during the lottery game retailer's normal business hours unless it is a 24-hour location—the online terminal will have some downtime in the early AM hours for program downloads; the lottery game retailer agrees to provide for the redemption of winning tickets during the same hours, up to the amount established by the Commission and subject to the Commission's approved validation hours.

36. What are the requirements of the retailer regarding which games the retailer must make available?

A lottery game retailer will offer any and all available instant games, as designated by the Commission, for sale to the public, at all times during the lottery game retailer's normal business hours. The lottery game retailer will offer all on-line games as designated by the Commission for sale to the public at all times such games are available during the lottery game retailer's normal business hours unless it is a 24-hour location—the online terminal will have some downtime in the early AM hours for program downloads.

37. What is the fee for using NC Education Lottery equipment?

A lottery game retailer will be charged a weekly telecommunication charge of \$15 for each location.

38. Is there an age limit applicable to the sale of lottery tickets?

It shall be unlawful for a person to sell a lottery ticket or share to a person under the age of 18 years. No person under the age of 18 years shall purchase a lottery ticket or share. No prize shall be paid to a person under the age of 18.

39. What are the rules for ticket price?

No ticket or share in a lottery game shall be sold or resold for more than the retail sales price established by the Commission.

40. What method of payment may lottery players use to purchase tickets?

A lottery game retailer may only sell tickets for cash, check, debit card, or gift card. Tickets cannot be purchased with credit cards, food stamps, or electronic benefit transfer (EBT) cards.

41. How will lottery players know that a retailer is a legitimate seller of tickets?

The NC Education Lottery will issue a certificate of authority to the retailer once the application is approved and the contract executed. A lottery game retailer shall sell no lottery tickets or shares unless the retailer conspicuously displays a certificate of authority, signed by the Director, to sell lottery tickets or shares. No certificate is assignable or transferable.

42. Are there requirements regarding where lottery game retailers must place lottery materials?

The lottery game retailer agrees to prominently display point-of-sale materials provided by the Commission and to display the ticket dispensers provided by the Commission for the sale of tickets in a prominent location near the cash register or checkout. Lottery game retailers may purchase their own dispensers. Lottery game retailers will make every effort to display Commission supplied exterior signage.

43. Are there financial security requirements for the lottery game retailer?

A lottery game retailer may be required to furnish an appropriate bond or letter of credit during the credit approval process or due to an insufficient funds situation, if so requested by the Director.

44. Who has financial responsibility for lottery tickets once they have been delivered to the lottery game retailer?

A lottery game retailer is responsible for all tickets delivered to the retail location. The lottery game retailer is expected to store securely all tickets and Commission property, and to immediately report any lost, missing, stolen, damaged, or altered tickets to the Commission. The lottery game retailer will also notify appropriate local law enforcement officials of any stolen tickets, or equipment and provide the Commission with a copy of the filed police report.

45. How quickly must lottery game retailers pay for lottery tickets?

For the first 60 days after start-up, instant ticket packs will be settled on the gaming system 5 days after packs have been activated by the lottery game retailer. Lottery game retailers will be required to pay for those packs at the close of the accounting week in which that 5th day occurs. For example: If a pack is activated on Monday it will settle on the following Friday and will be charged to the retailer at the close of the accounting week on Saturday. Beginning the 61st day after start-up, packs will settle 21 days after activation.

46. How often must lottery game retailers pay the NCEL? What happens if a retailer has insufficient funds to pay?

A lottery game retailer must make full financial settlement with the Commission every week via an electronic funds transfer (EFT) or other recorded financial instruments as authorized by the Commission and approved by the Director. The Commission may require full financial settlement more than once per week under certain conditions. The lottery game retailer is responsible for proceeds from the sale of all online game tickets sold that week and all instant ticket packs settled as noted in item 42 above. The Commission will notify the lottery game retailer of the amount due (or credit owed) each week. Lottery game retailers who have non-sufficient funds (NSF) to cover their weekly EFT amount, will be assessed a fee in accordance with the Lottery Retailer Financial Guidelines. A lottery game retailer may be required to supply a security deposit in an amount determined by the Commission based on their insufficient funds history. Repeated NSF's could cause a lottery game retailer's lottery certificate to be revoked and their contract to be terminated. All individuals listed as having financial interest in the business will be held responsible for the business's debts to the Commission.

47. What records will a lottery game retailer be required to keep?

A lottery game retailer will keep a complete and current set of records accounting for all of its sales of lottery tickets and shall provide it for inspection upon the request of the Commission.

48. Must lottery game retailers cooperate with inspections and investigations?

A lottery game retailer will fully cooperate with any and all inspections and/or investigations conducted by the NCEL as it relates to NCEL business.

49. What is the requirement for lottery game retailers regarding the Americans with Disabilities Act (ADA)?

The lottery game retailer shall certify that they are in compliance with the American with Disabilities Act (ADA) for each location.

50. Who owns the equipment and products supplied by the NCEL?

All the equipment and products supplied by the Commission remain the property of the Commission. Lottery game retailers will provide protection and care of all such equipment and products. The lottery game retailer must provide adequate power source to operate the gaming terminal. The lottery game retailer will immediately report stolen or damaged equipment to the Commission. Only Commission supplied or Commission approved products are to be affixed to

or loaded into dispensers or placed on equipment. The Commission may remove the equipment, products, and supplies at any time, with or without notice.

51. Will there be minimum amounts on tickets to be sold?

A lottery game retailer may be required to maintain minimum weekly sales averages, which will be determined and communicated by the Commission.

52. Under what conditions may the Commission suspend, cancel, or terminate a lottery game retailer contract?

A lottery game retailer agrees to abide by all applicable Commission policies and procedures. The Commission reserves the right to suspend, cancel, or terminate a lottery game retailer contract for any violation to this agreement.

53. May lottery game retailers require a store purchase in order for a player to purchase a lottery ticket?

Under no circumstances shall a lottery game retailer condition the sale of Lottery tickets upon the purchase of any other goods or services or charge any player a fee for the services of validating or paying winning lottery tickets.

54. When must a lottery game retailer have their electronic fund transfer bank account established?

The electronic fund transfer (EFT) bank account must be established prior to submittal by the lottery game retailer of the application to participate. The application requires documentation of the EFT authorization.

55. What happens if the check submitted by the lottery game retailer as the application fee bounces?

The lottery game retailer will be required to submit a cashier's check or money order before the application can be processed and approved.

56. How long will it take to process a retailer application? When can a retailer expect to hear from NCEL?

NCEL will send out an acknowledgement of receipt of application within 3-4 days of receipt and notice of approval/denial within 4-6 weeks.

57. How frequently will there be transactions in the EFT account?

The NCEL anticipates that retailers will make one deposit a week and the NCEL will make one withdrawal a week.

58. Do lottery game retailers need a separate EFT account for instant and online games?

No, they can be the same account.

59. Do lottery game retailers need a separate cash register for lottery ticket receipts?

The NCEL leaves decisions on how to register receipts to the retailer so long as the retailer deposits lottery ticket proceeds into the EFT account.

60. How will the lottery game retailer be paid the commission?

The commission will be paid through the EFT account.

61. Form F, Page 1 of the Retailer Application requires a listing of “other current and previous business/enterprises in which you own/owned an interest.” What period of time do you want this list to cover?

For all applications received by the NCEL by April 5, 2006, the retailer only needs to list a two-year history, beginning January 1, 2004.